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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF BRAZIL

IPF:(1992-96) $ 14 183 000

(BRA/92/012) - Modernization of the Brazilian Telefommunication System (TELEBRAS)

Date of approval by the AC:[1/]	1 July 1992	
Expected duration:	Five years	
Proposed executing agency:	Government	
Government implementing agency:	TELEBRAS	
Proposed UNDP contribution:	$ 150 000	Source of funds:IPF
Government cost sharing:	$ 28 764 800	
Total UNDP budget:	$ 28 914 800	

Project background

The development strategy of Brazil embodied in the 1991-1995 Pluriannual Plan stresses economic recovery with social justice so as to redress the regional socioeconomic imbalances in the country. To achieve the above-mentioned recovery the plan stresses, among other things, opening Brazil's markets to foreign competition, reduction of the role played by the State in the economy, and increasing public sector efficiency, improving competitiveness, quality and productivity of industry, and increasing investment in science and technology with progressive participation of the productive sectors. Accessible and low-cost telecommunications is seen as an important contributor to the economic and social development particularly in less developed regions, where producers, middlemen and consumers depend on efficient communications with markets in the more developed regions of the country.

The Strategic Plan for Telecommunications Development 1992-2002 describes the challenges faced by this sector. The demand for telecommunications services is growing at approximately 9.8 per cent per year. The mix of services is changing dramatically with cellular telephony, data transmission, facsimile etc. in addition to a repressed demand for the traditional telephone service particularly in rural areas. Furthermore, present government policy will permit foreign competition in many segments of the market such as in cellular telephony. The national telecommunications system, will require over the next five years massive investments in plant and considerable human resources and capacity development in order to meet the challenges and facilitate instead of hinder social and economic development.

The Plan also sets the objectives for the above-mentioned challenges to be met. Meeting those challenges implies transforming TELEBRAS, the holding company which controls 97 per cent of all telecommunications services in Brazil. In addition to annual investments

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[1/] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.**

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required of approximately (US)$3.6 billion per year, the entire model of operations of TELEBRAS must shift from an inward-looking public enterprise in a protected, monopolistic market to a entrepreneurial and managerial model predicated on an open economy with considerable competition from abroad, in products and services. TELEBRAS needs furthermore to move from a product-orientation to a service orientation with a clear picture of customer needs. Therefore, the provision of a diversified variety of new services in telecommunications for all types of users, with international standards of quality and price, has become imperative for TELEBRAS.

Founded in 1972, TELEBRAS is a mixed public and private holding company which has a controlling interest in all 28 state telephone companies in Brazil as well as the long-distance company EMBRATEL. The TELEBRAS system has 10.3 million telephones installed, 246 thousand public phones in service and the TELEBRAS System serves 15.6 thousand localities nationwide. To meet Brazil's socioeconomic needs, the system will have to provide by 1995, 20 million telephones installed, 380 thousand public phones, and reach 20,351 localities and 416 thousand cellular telephones. Telephone coverage will need to increase from 6.3 main lines per 100 inhabitants to 8.0 lines; and by the year 2002, TELEBRAS will need to reach 25 million main lines, 1 million public telephones, 25 thousand localities, 1 million cellular phones, and a density of 9.8 main lines per 100 inhabitants.

Description of project

The development objectives of the project are to: (a) increase TELEBRAS' System managerial efficiency; and (b) incorporate new management techniques so as to improve system performance (in terms of quality, diversity, price and customer satisfaction with the service provided) in an increasingly open market.

The immediate objectives of the project are to:(a) strengthen the TELEBRAS system capacity to supply and provide telecommunication services; (b) provide technical support and advice for the expansion and modernization of the TELEBRAS plant as well as telecommunication services of high quality at competitive prices; (c) support the R&D Center (CPqD) to adapt research to the new strategic goals of the TELEBRAS System; (d) strengthen the TELEBRAS human resources management system through integration and automation; (e) develop and implement an "application architecture" (software) for the TELEBRAS System; (f) professionalize the entrepreneurial management function in the TELEBRAS System in order to make it competitive in a regime of free competition in the domestic and international markets; and (g) strengthen TELEBRAS capacity to manage, absorb and offer technical cooperation.

Inputs

UNDP will provide 620.5 work-months of professional personnel in intelligent communications networks, market studies and technological forecasting, digital systems traffic management, product substitution policies, optical fiber use, high capacity long distance transmission, strategic management, human resources management, software applications architecture, corporate prospective scenarios, corporate planning, and technical cooperation management; individual fellowship training; specialized equipment related to the above-mentioned technical cooperation; and miscellaneous costs.

Financial data

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Personnel	6 136 500
Training	3 416 300
Equipment	19 178 000
Miscellaneous	184 000
Total	28 914 800

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